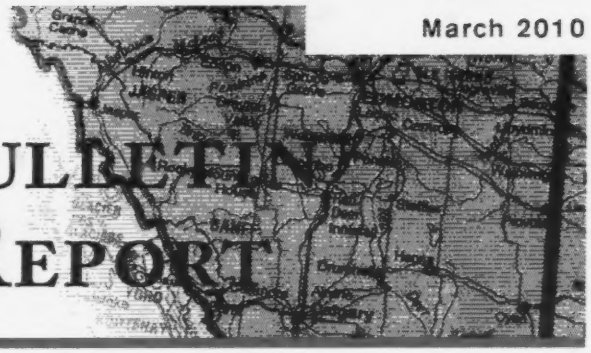
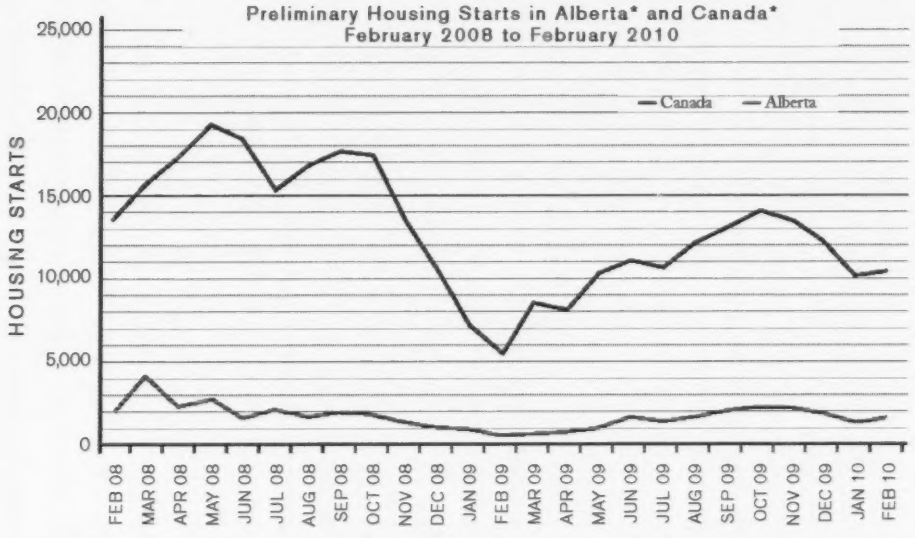


Housing Bulletin Monthly Report

BUILDERS PREPARE for SPRING SELLING SEASON



- Canada's total preliminary housing starts in February 2010 were up 23.1 per cent from January 2010 and up 164.2 per cent when compared to February 2009.
- Alberta's February 2010 preliminary housing starts increased 1.4 per cent over January 2010, and 85.2 per cent over February 2009. According to Canada Mortgage and Housing Corporation, increased production in Calgary, Edmonton, Lethbridge and Medicine Hat has bolstered growth in housing starts.
- This year-over-year increase in Alberta is particularly pronounced as February 2009 levels were unusually low due to elevated inventories of existing homes for sale and economic uncertainty.
- Compared to 2008 levels, preliminary housing starts were down 23.4 per cent in Canada, and 18.8 per cent in Alberta. Although levels of construction are still down when compared to pre-recession levels, they have made a considerable recovery since the low point of 2009.

* Data reflects centres with a population of 10,000 and over only.

Source: Canada Mortgage and Housing Corporation

ISSUE HIGHLIGHTS

Housing Starts
New home construction has roared back from recession levels.
Page 2

Affordability
Edmonton remains one of the most affordable cities in the west for homeowners.
Page 3

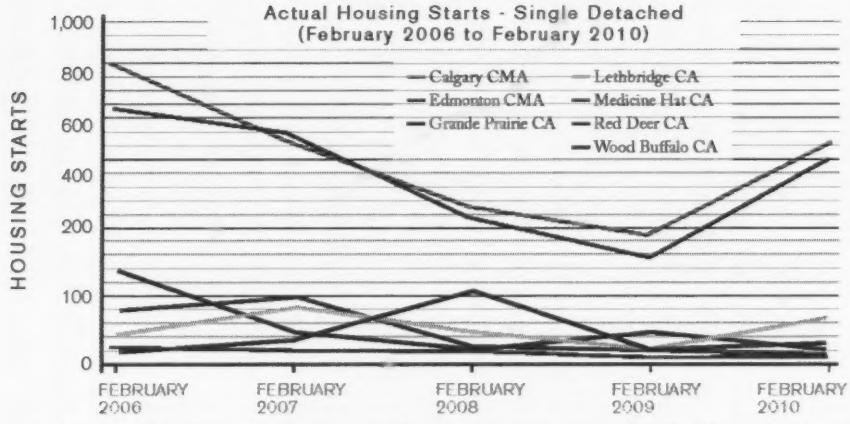
Alberta Home Sales
Favourable market conditions contribute to elevated sales in Alberta.
Page 5

Interest rates will rise this year, but increases will be small and spread out over time.

(BANK OF CANADA)

ARCH 9, 2010) Homebuilders are as optimistic as they have been since early 2007 (CANADA HOMEBUILDERS' ASSOCIATION AS CITED IN THE EDMONTON JOURNAL, MARCH 9, 2010). Hom

SINGLE-FAMILY HOUSING STARTS ROSE 165 PER CENT from FEBRUARY 2009 to FEBRUARY 2010

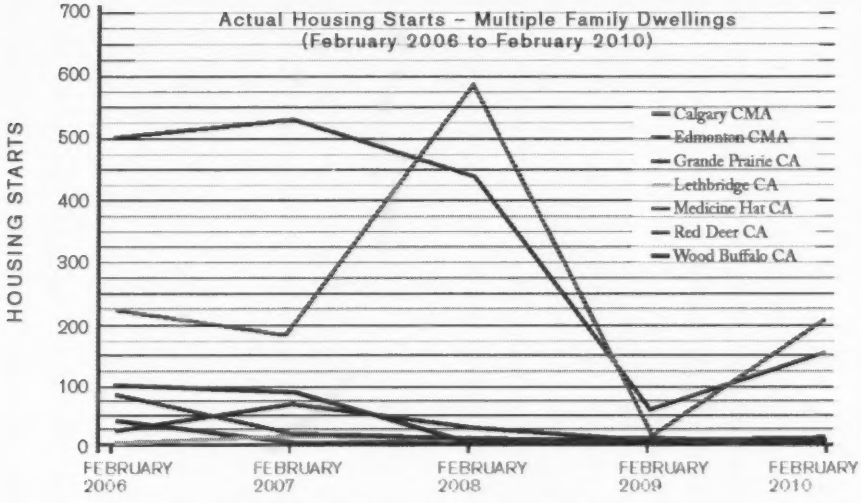


- Total single-detached housing starts across Alberta's seven major urban centres increased 165 per cent from 64 in February 2009 to 170 in February 2010.
- From February 2009 to February 2010, housing starts for single-detached homes increased by 225 per cent in Edmonton and 196 per cent in Calgary.
- Grande Prairie (-50 per cent) was the only urban centre in February that experienced a drop in single-family housing starts. A slower economic recovery in Grande Prairie continues to have an effect on the local housing market.

- According to Canada Mortgage and Housing Corporation (CMHC), the striking difference in housing starts between this year and last is due to stronger market conditions, employment growth and steady demand.
- CMHC expects total annual housing construction starts in Alberta to vary from 22,250 to 27,400 in 2010 and between 27,100 to 33,275 in 2011.

Source: Canada Mortgage and Housing Corporation

MULTI-FAMILY STARTS WERE UP 197 PER CENT from FEBRUARY 2009 to FEBRUARY 2010



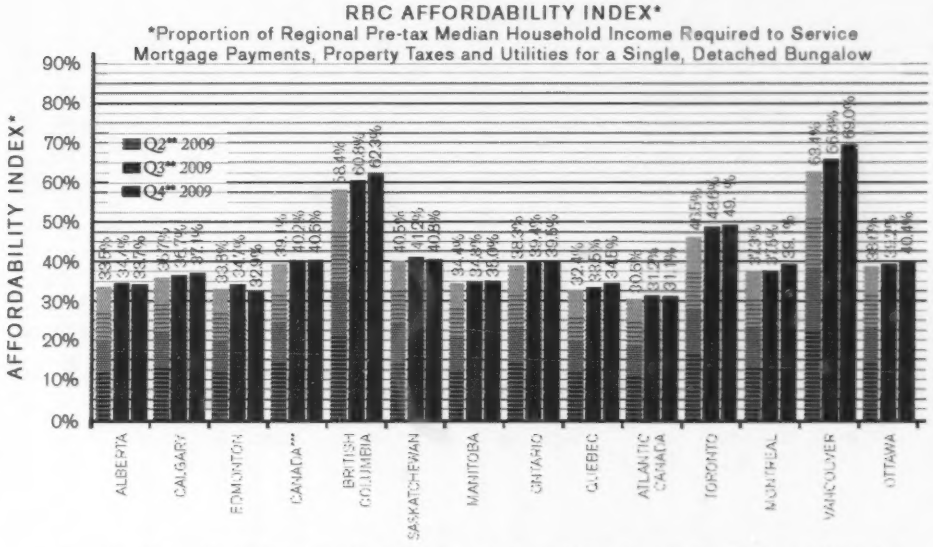
- Overall, construction of multi-family dwellings increased 196.8 per cent over the February 2009 to February 2010 period across Alberta's largest centres. The most impressive recovery was in Calgary, which rose from a low of 22 in February 2009 to 198 in February 2010; an increase of 900 per cent!
- Regionally, starts on multiple housing structures varied across Alberta in February 2010, with a notable increase in Edmonton from 64 to 158 starts (147 per cent). During the same period, multi-family starts in Medicine Hat decreased 66.7 per cent, and 50 per cent in Red Deer.
- There were no multi-family housing units constructed in the Wood Buffalo or Grande Prairie regions in February 2010.

- According to CMHC, demand for entry-level housing (e.g. multiple-family dwelling structures) is up compared to one year ago.

Source: Canada Mortgage and Housing Corporation

CORPORATION) Low mortgage rates continue to support demand for home ownership.
(CANADA MORTGAGE AND HOUSING CORPORATION) Low mortgage rates continue to support dem

EDMONTON REMAINS MOST AFFORDABLE MAJOR CENTRE WEST of ATLANTIC CANADA AMONG SELECT URBAN CENTRES



- The share of household income taken up by the costs of owning a single, detached bungalow in Alberta fell slightly between the third quarter of 2009 (34.4 per cent) and fourth quarter of 2009 (33.7 per cent).
- Compared to other select large urban centres, home ownership was more affordable in Edmonton (32.9 per cent) and Calgary (37.1 per cent) than in Montreal (39.1 per cent), Ottawa (40.4 per cent), Toronto (49.1 per cent) and Vancouver (69.0 per cent) in the fourth quarter of 2009.
- The proportion of net household income required to maintain a single, detached bungalow in Calgary increased by 0.4 percentage points from third quarter 2009 (36.7 per cent) to fourth quarter 2009 (37.1 percent). Over the same period, the share of income needed in Edmonton decreased by 1.8 percentage points from 34.7 per cent to 32.9 per cent.

* Proportion of Regional Pre-tax Median Household Income Required to Service Mortgage Payments, Property Taxes and Utilities for a Single, Detached Bungalow.

** Q1 = January - March; Q2 = April - June; Q3 = July- September; Q4 = October - December

*** Population weighted average.

Source: Canada Mortgage and Housing Corporation

NEW HOME PRICES EXPECTED to RECOVER IN 2010 and 2011(f)

- The New Housing Price Index (NHPI) measures changes over time in contractors' selling price of new homes.
- Overall, across Canada newly built homes are expected to continue to increase in value over the forecast period.
- CMHC forecasts Calgary's NHPI to rise steadily into 2011, to near pre recession levels. Edmonton's NHPI will also rise, but not at the same pace as Calgary. This is a recovery from 2009 when 12-month declines were recorded in both Calgary (-6.7 per cent) and Edmonton (-11.3 per cent).
- NHPI increases are a positive indicator that the value of new homes is returning to pre-recession levels, reducing any negative equity.

f = Forecast

* Data includes house only, excluding land costs.

Source: Statistics Canada

S) Affordability erodes slightly across the country, but remains in check in Alberta (RBC ECONOMICS) Afforda

EDMONTON'S REAL ESTATE MARKET: DEMAND IS UP and SUPPLY IS DOWN

YEAR-TO-YEAR COMPARISON OF HOUSING RESALE ACTIVITY IN EDMONTON IN THE MONTH OF FEBRUARY

	AVERAGE PRICE							
	Single-Family Dwelling	Condominium	Duplex / Rowhouse	Days on the Market	Residential Listings	Residential Sales	Monthly Sales to Listings Ratio	Average Year to Date Sales to Listings Ratio
Feb 06	$252,602	$149,946	$197,966	39	1,802	1,634	90	82
Feb 07	$376,273	$248,493	$314,518	24	2,172	1,922	88	81
Feb 08	$383,251	$263,963	$297,042	52	3,407	1,239	36	35
Feb 09	$349,810	$229,685	$281,406	62	2,666	1,100	41	36
Feb 10	$369,573	$231,530	$315,390	46	2,505	1,184	47	45

- The average price of a single-family dwelling in Edmonton increased 5.6 per cent from February 2009 to February 2010.
- Listings dropped 6 per cent and sales were up 7.6 per cent, boosting the sales to listings ratio by 14.6 per cent and decreasing the number of days on market by 25.8 per cent. The sharp drop in number of homes listed and days on the market is trending more toward a sellers' market.

- The largest jump in price (12.1 per cent) from February 2009 to February 2010 occurred in the duplex/row housing segment.
- The President of the Realtors Association of Edmonton notes that upcoming changes to mortgage qualification rules and impending rate increases may prompt some buyers to enter the real estate market earlier and cause some additional steam in the second quarter of 2010 followed by a slowdown in the third quarter of 2010.

Source: Realtors Association of Edmonton

CALGARY'S MARKET CONTINUES to BUILD MOMENTUM

YEAR-TO-YEAR COMPARISON OF HOUSING RESALE ACTIVITY IN CALGARY IN THE MONTH OF FEBRUARY

	SINGLE-FAMILY DWELLING					CONDOMINIUM				
	Average Price	Month End Inventory	New Listings Added	Sales	Days on the Market	Average Price	Month End Inventory	New Listings Added	Sales	Days on the Market
Feb 07	$448,557	2,032	2,206	1,942	29	$301,812	654	889	895	28
Feb 08	$471,696	4,985	2,981	1,252	39	$311,812	2,301	1,244	562	45
Feb 09	$415,568	4,352	2,057	825	51	$268,971	2,065	892	343	51
Feb 10	$458,254	3,106	2,154	1,035	34	$282,880	1,741	1,109	536	43

- The average price for a single-family home in Calgary increased just over 10 per cent from February 2009 to February 2010. The average price of a condominium increased 5.2 per cent during the same period.
- Calgary's February 2010 single-family home sales were up 25 per cent from the same month one year ago, while the number of condominium sales increased 56 per cent.
- According to the President of the Calgary Real Estate Board (CREB), the Calgary market has shifted from fragile to fervent in just over 12 months.*

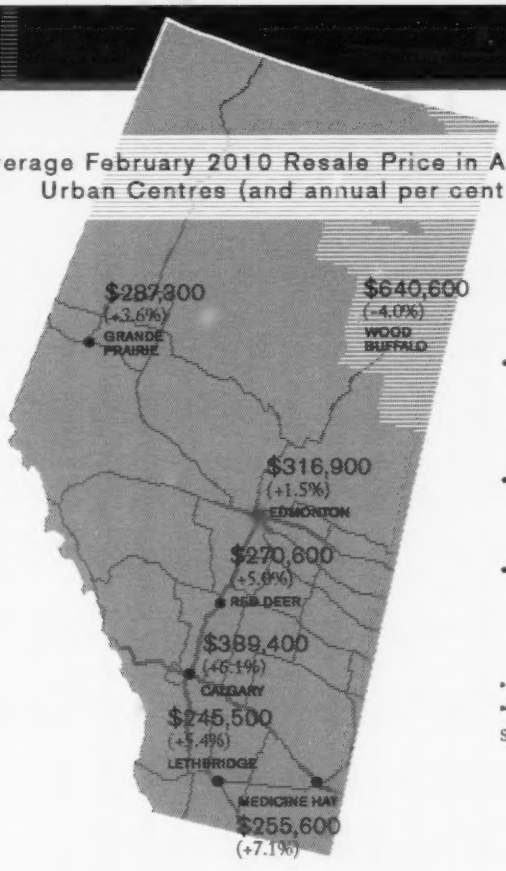
- The average number of days single-family dwellings sat on Calgary's market fell from 51 to just 34 over the past year, suggesting a shift toward a sellers' market. The CREB has noted the market is tightening and they are now seeing a moderate rise in the number of competing offers on homes.

* Excerpt from a March 2, 2010 news article in the *Edmonton Journal*.

Source: Calgary Real Estate Board

REAL ESTATE BOARD) Expect to see a rise in both inventory and demand this spring - and expect both to stay in a healthy balance (CALGARY REAL ESTATE BOARD) Expect to see a rise in both inve

Average February 2010 Resale Price in Alberta's Major Urban Centres (and annual per cent change)



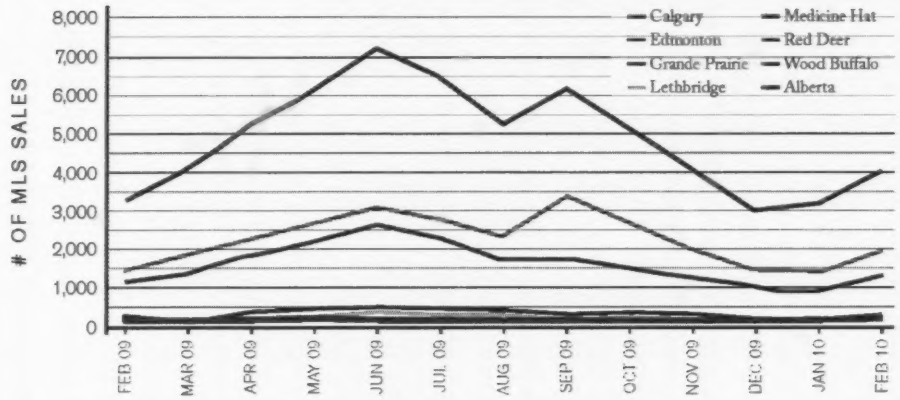
SNAPSHOT of RESALE PRICES* ACROSS ALBERTA

- Across Alberta**, the average price for a home increased 5.7 per cent from February 2009 to February 2010. The most significant increase was in Medicine Hat, where prices for a single family home increased 7.1 per cent over the previous year followed by Calgary (6.1 per cent).
- The Wood Buffalo Region was the only region to experience a drop in the average resale price (-4.0 per cent) from February 2009 to February 2010.
- Canada Mortgage and Housing Corporation predicts the average resale price in Alberta will rise in both 2010 and 2011, but demand for existing homes will be moderated by higher mortgage rates in the second half of 2010 and through 2011.

* This figure denotes only detached single-family homes in these regions.
** The total includes MLS data from the 11 major real estate boards in Alberta.
Source: Alberta Real Estate Association

HOME SALES ARE SPRINGING AHEAD in ALBERTA

Multiple Listing Service (MLS) Sales in Alberta's Urban Centres*
(February 2009 to February 2010)

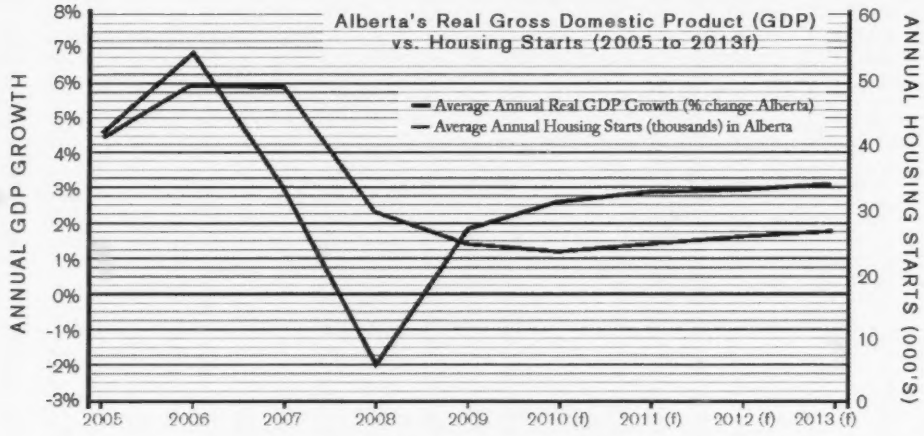


- Overall, home sales across Alberta's major centres were up 25.7 per cent in February 2010 compared to February of 2009. The most notable increase was in Lethbridge, where sales increased 38.1 per cent in February 2010 (156) from February 2009 (113).
- From January 2010 to February 2010, home sales increased up 26.4 per cent across Alberta, and as high as 66 per cent in Lethbridge. The only month-over-month decrease occurred in the Wood Buffalo Region (-37.3 per cent).
- According to the 17th annual Royal Bank of Canada Homeownership Study, 92 per cent of Albertans believe buying a home is a good investment.
- On a national level, Albertans are the most likely (13 per cent) to say they are very likely to buy a home within the next two years. Respondents cite good housing prices, favourable interest rates and the opportunity to buy a home as an investment or second home as the primary drivers behind their buying intentions.

* Data includes centres with a population of 50,000 and over. Data reflects the number of MLS sales per month.
Source: Alberta Real Estate Association

TISTICS CANADA) Calgary home builders raising prices due to higher labour, development costs, and an improved new housing market (STATISTICS CANADA) Calgary home builders raising prics due

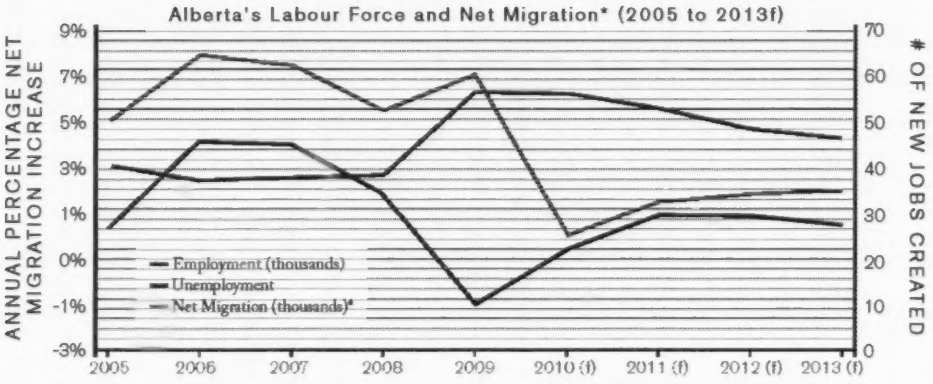
RELATIONSHIP BETWEEN ECONOMIC GROWTH and THE HOUSING SECTOR



- GDP as an indicator, can be used to determine the overall health of an economy. It is not uncommon for GDP to rebound immediately following a recession, but economists generally agree that a range of 2 to 3 percent growth is ideal as it should not cause rapid inflation nor tip the economy back into recession.
- Alberta's economy shifted dramatically from a high of 6.9 per cent real GDP growth in 2006 to a -2 per cent retraction in 2008. Housing starts in Alberta followed this general trend, decreasing 40 per cent from 2006 to 2008.
- 2009 brought relief to Alberta with positive economic growth (1.8 per cent), yet housing starts continued to decrease by 17 per cent in 2009. According to Alberta Finance and Enterprise, Alberta's economy is expected to expand by 2.6 per cent in 2010, 2.9 per cent in 2011 and 3.0 per cent in 2012 thanks to investment in oil production, modest rebounds in natural gas drilling, and a thriving service sector. Housing starts are expected to follow this subdued upward trend.

f = Forecast
Source: Alberta Finance and Enterprise

2009 JOB LOSSES to KEEP NEWCOMERS AWAY FROM ALBERTA in 2010



- With healthy economic growth and job creation, more people are expected to move to Alberta in 2011 and beyond, fuelling demand for new home construction and further economic growth.

- Alberta Finance and Enterprise expects Alberta's net migration to fall by 58 per cent by the end of 2010, but to recover in 2011 and beyond.
- Employment growth in Alberta is expected to recover from a loss of -1.3 per cent in 2009 to 0.8 per cent growth in 2010, and 2 per cent in both 2011 and 2012. As employment opportunities open up and Alberta's economy regains momentum, net migration is forecasted to follow a similar upward trend.
- Alberta Finance and Enterprise predicts Alberta's unemployment rate to remain level at 6.6 per cent in 2010, and decrease to 6 per cent in 2011 and 5.3 per cent by 2012.

f = Forecast
* Includes net interprovincial and international migration.
Source: Alberta Finance and Enterprise

OF CANADA) The improving job outlook and continued low interest rates should support consumer spending and fuel further demand for housing (ROYAL BANK OF CANADA) The improving job outlook